

Prepayment Sample Letter Format

Date

Dear Resident:

The monthly cost for the apartment you are renting at the above address is subsidized by the federal government through the following U.S. Department of Housing and Urban Development (HUD) mortgage subsidy program (mark the appropriate one):

_____ Section 221(d)(3)

_____ Section 236

This federal program has allowed tenants to pay rents that may be substantially below market rate. The rent subsidy has been provided through a 40-year loan insured by HUD which allows the property owner to terminate the federal program after 20 years by voluntarily prepaying the mortgage or terminating the federal insurance. When this occurs, we are allowed to charge market rate rents beginning 60 days from the date the mortgage is prepaid or insurance is terminated. Rent increases after that time will not be restricted, unless we choose to participate in another government program which imposes rent restrictions or rents are controlled under local laws.

Federal and state laws require us to provide tenants with written notice at a specified time prior to the prepayment date of the mortgage or termination date of the mortgage insurance. Although there will be no immediate change in your lease, this notice informs you that we plan to end our participation in the mortgage subsidy program indicated above so that you can plan for any changes that might occur.

Planned Changes in Federal Assistance

The date we anticipate prepaying the mortgage or terminating the mortgage insurance is (indicate date, 9 months from date of letter) _____.

The date when we anticipate rents will increase to market rates is (indicate date, at least 11 months from date of this letter) _____.

Prepayment Sample Letter Format

The current monthly rent for your apartment is \$ _____. Following the prepayment of the mortgage or termination of the mortgage insurance, the anticipated new rent for your apartment will be at least \$ _____. We will notify you of your new rent at least 30 days before any increase becomes effective.

We understand that HUD will provide special, tenant-based Section 8 rental vouchers or certificates to all tenants who are eligible for the Section 8 Program at that time. The assistance will be provided through the local housing authority. If you receive a certificate or voucher, your share of the total rent will be either the amount you currently pay for rent or 30 percent of your adjusted monthly income, whichever is more. Section 8 will cover the rest of the rent, up to the amount the housing authority determines is appropriate for an apartment like yours.

Because the Section 8 subsidy is "tenant-based", you will be able to use it to rent your current apartment, another apartment in the same complex, or another rental property. If you decide to remain in our complex, we are required by federal law to accept your voucher or certificate for the first year after the date of the rent increase, as long as you have not violated terms of your current lease and the apartment meets criteria set by HUD and the housing authority for your household size.

If you decide to move, the Section 8 assistance can be used to pay the rent for other rental properties, as long as owners meet certain conditions, and they accept this type of assistance. You will pay the minimum tenant rent described above, and the Section 8 Program will pay the rest, up to the maximum rent allowed by HUD or the housing authority. If the new rent on your unit is greater than the rent allowed by HUD or the housing authority, you will have to pay the additional amount yourself or find another rental property where the rent does not exceed your Section 8 tenant-based assistance.

For Tenants Currently Assisted Under a Project-Based Section 8 Contract

If your unit is also currently assisted through the project-based Section 8 Program, you will continue to pay the same amount for rent until the subsidy expires, as long as your income does not change. This assistance is made available under a contract with HUD, and covers the difference between the apartment rent and 30 percent of your adjusted monthly income. This project-based subsidy may only be used in this apartment complex, and cannot be used at other properties.

If the Section 8 project-based contract expires within one year after the effective date of the mortgage prepayment or termination of the mortgage insurance, you may be eligible at that time for the special, tenant-based Section 8 assistance described above.

Prepayment Sample Letter Format

Information on the Section 8 Program is available from several sources, listed here for your convenience:

Local Public Housing Authority

Name: _____

Telephone Number: _____

HUD Field Office

Name: _____

Telephone Number: _____

Legal Services Organization

Name: _____

Telephone Number: _____

A copy of this notice has been sent to _____
(mayor of city or chairperson of county board of supervisors), the local housing authority,
and the State of California Department of Housing and Community Development.

Sincerely,

(Owner)